

**MINUTES OF A SPECIAL MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
Friday, May 3, 2002
8 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 14th Floor Conference Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Norman Miller, ASRS Board Vice-Chairman, called the meeting to order at 8:01 a.m., MST.

The meeting was teleconferenced to the ASRS office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call.

Present: Mr. Norman Miller, Vice Chairman
Ms. Charlotte Borchert (via telephone)
Dr. Chuck Essigs
Ms. Bonnie Gonzalez (via telephone)
Mr. Alan Maguire (via telephone)
Mr. Karl Polen (arrived at 8:03 a.m. via telephone)
Mr. Carl Tenney (via telephone)

Excused: Mr. Jim Bruner, Chairman
Mr. Ray Rottas

A quorum was present for the purpose of conducting business.

2. Presentation, Discussion and Appropriate Action Regarding the ASRS Defined Contribution (DC) Plan Request for Proposal.

Mr. Alan Maguire, Chairman, DC Plan Board Committee, provided an overview of the process for putting together the Supplemental Retirement Savings Plan for ASRS members. A Board committee was formed to review alternative structures for the plan. The committee had extensive discussions and determined the plan should be administered externally by a single contractor who could offer all three primary services: record keeping, investments and education.

Mr. Karl Polen arrived via teleconference at 8:03 a.m.

A Request for Proposal (RFP) was issued to potential vendors. An evaluation committee, composed of members of the Board and members of the ASRS representing employers and employees, reviewed the three responses that were received. On April 10, 2002, the committee interviewed two firms. After the interviews, the committee requested clarifications of responses from the firms through the Best and Final Offer (BFO) process, and each firm provided the clarification. Based on the interviews and the BFOs, the evaluation committee and DC Plan Board committee recommended the selection of Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) to administer the ASRS Supplemental Retirement Plan.

Mr. Norman Miller asked whether the BFO clarifications (specifically, anticipated future services such as the brokerage service) would be part of the contract. Mr. Maguire answered that the clarifications become an integral part of the agreement. He also noted that although TIAA-CREF offers a range of investment alternatives now, the addition of other investment funds and a brokerage window would make the plan even more attractive to participants who may want more options. He noted that the committee had also agreed it was critical that the administrator provide dedicated staff, who have a thorough understanding of all the benefits available through the ASRS, to the ASRS program.

Mr. Maguire commented that garnering initial participation in any supplemental plan is a challenge. In addition to the quality of service offered, the committee also examined the cost of participation - the cost to members. Mr. Maguire then provided a sample comparison of the costs of the two finalists:

	<u>Nationwide</u>	<u>TIAA-CREF</u>
Member investment	\$700	\$700
Participation fee	\$45 per year	No fee
Investment Management fee (assuming a 5% return)	\$4.80	\$2.87
Net in account after 1 year	\$682 (-18)	\$731.31 (+31.31)
Total Fees paid after 2 years	\$103.79	\$8.25

Mr. Maguire stated his belief that the initial financial burden is one of the biggest hurdles in establishing a plan. The TIAA-CREF structure and fee base will make it much more attractive for members to participate in the ASRS supplemental plan.

Dr. Chuck Essigs asked when the plan will be available for those who may decide to participate in the Deferred Retirement Option Program (DROP). Mr. Anthony Guarino, Deputy Director and Chief Operations Officer responded that there is an aggressive start-up plan to sign up employers, and TIAA-CREF expressed interest in getting the plan functional as quickly as possible. The target date is July 1, 2002.

Ms. Charlotte Borchert stated that TIAA-CREF's costs are reasonable and they are providing substantive additional services. Ms. Bonnie Gonzalez agreed that TIAA-CREF should be a good partner for the ASRS.

Mr. Norman Miller requested periodic indications of participation so that the Board can measure the success of the program. Mr. Maguire answered that the administrator is expected to report to the Board frequently as to the levels of participation, including those who may withdraw, and use the statistics for their own outreach programs.

Mr. Karl Polen requested that a report with information such as the number of participants, the new sign-ups, the total assets invested, etc. be included in the monthly Board packet in the Director's Report section. He also suggested the Board look at the investment performance of the plan, much like the Board evaluates the performance of the investment managers for the Defined Benefit Plan. Mr. Guarino confirmed that the information and reports will be provided.

Dr. Chuck Essigs asked that an objective analysis of 403(b) programs compared to 401(a) programs be disseminated to members so that they may have a good understanding of their options.

Motion: Mr. Alan Maguire moved that the ASRS Board award the Supplemental Retirement Savings (401(a)) Plan administration contract to TIAA-CREF for a period of one year, with up to nine annual renewals.

Dr. Chuck Essigs seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 2 excused, the motion was approved.

4. Call to the Public.

There were no requests to speak from the Tucson or Phoenix public.

Mr. Maguire took the opportunity to thank the ASRS staff for their diligent work throughout the RFP and BFO processes, and to express the formal appreciation of the Board to the other members of the evaluation committee who gave of their the time to participate in the evaluation process.

5. The next ASRS Board meeting is scheduled for Friday, May 17, 2002, at 8:30 a.m. in the 10th Floor Board Room of the ASRS office at 3300 N. Central Avenue, Phoenix, Arizona 85012.

6. Adjournment of the ASRS Board.

Mr. Norman Miller adjourned the May 3, 2002, meeting of the ASRS Board at 8:23 a.m.

Respectfully submitted,

Maurah Harrison, Secretary

Date

LeRoy Gilbertson, Director

Date